



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CLAY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable James D. Garrison, Clay County Judge/Executive

Members of the Clay County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Clay County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Clay County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Clay County, Kentucky prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Clay County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable James D. Garrison, Clay County Judge/Executive

Members of the Clay County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Clay County, Kentucky, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present a schedule of findings and questioned costs, included herein, which discusses the following area of noncompliance:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2000 on our consideration of Clay County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 4, 2000

CLAY COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

James Garrison	County Judge/Executive
Clay M. Bishop, Jr.	County Attorney
Jennings White	County Clerk
James Phillips	Circuit Court Clerk
Edd Jordan	Sheriff
Charles Marcum	Jailer
James Sizemore	Property Valuation Administrator
Debra Parks	County Treasurer
James Trosper	Coroner
Tommy Harmon	Magistrate
Les Carahan	Magistrate
Terry Davidson	Magistrate
Johnny Gregory	Magistrate
Randall Wagers	Magistrate





STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



CLAY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 347,032
Receivable (Note 4)	151,144

Road and Bridge Fund:

Cash	194,875
------	---------

Jail Fund:

Cash	1,586
------	-------

Local Government Economic Assistance Fund:

Cash	22,782
------	--------

Forest Fire Fund:

Cash	1,800
------	-------

Occupational Tax Fund:

Cash	185,541
------	---------

Other Resources

Occupational Tax Fund:

Amounts to be Provided in Future Years for

Kentucky Association of Counties Leasing Trust:

Principal Payments (Note 6)	796,073
-----------------------------	---------

Note Payable: DJK Enterprise, Inc. (Note 7)	443,708
---	---------

North Manchester Water Project:

Amounts to be Provided in Future Years for

Kentucky Infrastructure Authority - Principal Payments (Note 5)	2,449,987
---	-----------

Total Assets

	\$ 4,594,528
--	--------------

CLAY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND FUND BALANCES ARISING FROM CASH TRANSACTIONS  
 June 30, 1999  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Deferred Revenue (Note 4)	\$ 151,144
---------------------------	------------

Occupational Tax Fund:

Kentucky Association of Counties Leasing Trust:

Principal Payments (Note 6)	796,073
-----------------------------	---------

Note Payable: DJK Enterprise, Inc. (Note 7)	443,708
---	---------

North Manchester Water Project:

Kentucky Infrastructure Authority Principal Payments (Note 5)	2,449,987
---	-----------

Fund Balances

Reserved:

Forest Fire Fund	1,800
------------------	-------

Unreserved:

General Fund	347,032
--------------	---------

Road Fund	194,875
-----------	---------

Jail Fund	1,586
-----------	-------

Local Government Economic Assistance Fund	22,782
---	--------

Occupational Tax Fund	185,541
-----------------------	---------

Total Liabilities and Fund Balances	<u>\$ 4,594,528</u>
-------------------------------------	---------------------

The accompanying notes are an integral part of the financial statements

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CLAY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,577,964	\$ 1,210,399	\$ 1,485,991	\$ 172,706
Transfers In	205,890	40,000		165,890
Borrowed Money	51,000	51,000		
Total Cash Receipts	<u>\$ 4,834,854</u>	<u>\$ 1,301,399</u>	<u>\$ 1,485,991</u>	<u>\$ 338,596</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,367,952	\$ 1,016,171	\$ 1,436,468	\$ 338,886
Transfers Out	205,890			
Borrowed Money Repaid	51,000			
Total Cash Disbursements	<u>\$ 4,624,842</u>	<u>\$ 1,016,171</u>	<u>\$ 1,436,468</u>	<u>\$ 338,886</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 210,012	\$ 285,228	\$ 49,523	\$ (290)
Cash Balance - July 1, 1998	543,604	61,804	145,352	1,876
Cash Balance - June 30, 1999	<u>\$ 753,616</u>	<u>\$ 347,032</u>	<u>\$ 194,875</u>	<u>\$ 1,586</u>

The accompanying notes are an integral part of the financial statements.

CLAY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Assistance Fund	Road Construction Account Fund	Kentucky Mountain Housing Fund	Forest Fire Fund	Occupational Tax Fund
\$ 224,359	\$ 352	\$ 415,050	\$ 3,528	\$ 1,065,579
\$ 224,359	\$ 352	\$ 415,050	\$ 3,528	\$ 1,065,579
\$ 79,213 165,890	\$ 49,214	\$ 415,400	\$ 3,596	\$ 1,029,004 40,000 51,000
\$ 245,103	\$ 49,214	\$ 415,400	\$ 3,596	\$ 1,120,004
\$ (20,744) 43,526	\$ (48,862) 48,862	\$ (350) 350	\$ (68) 1,868	\$ (54,425) 239,966
\$ 22,782	\$ 0	\$ 0	\$ 1,800	\$ 185,541

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clay County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Clay County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.



CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Clay County Fiscal Court: Hima-Sibert Water District, Clay County Industrial Authority, and Clay-Leslie County Industrial Authority.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

CLAY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 1999  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480 (1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) state above. However as of August 31, 1998, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$628,400 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county's name	\$ 614,335
Uncollateralized and uninsured	<u>628,400</u>
Total	<u><u>\$ 1,242,735</u></u>

Note 4. Receivable

Clay County operates an ambulance service for the benefit of its citizens. The ambulance service receipts and expenditures are appropriated through the county's General Fund. As of June 30, 1999, the ambulance service had rendered \$151,144 of service for which payment has yet been received. The County Attorney has been authorized by Clay County Fiscal Court to try to collect payment on the outstanding receivables that date back to 1993.

Note 5. Long-Term Debt

Clay County Fiscal Court obtained a water resources loan from the Kentucky Infrastructure Authority on behalf of the North Manchester Water Association. As part of the Kentucky Infrastructure Loan Agreement, the Clay County Fiscal Court executed a lease agreement with the North Manchester Water Association over the same thirty year term as the loan agreement which provides for lease payment to be made to the county prior to the due date of the loan payments. The loan is to be repaid over a thirty year period at a 2.95% interest rate with scheduled payments of principal and interest of \$ 66,129 plus a loan servicing fee due each December 1 and June 1.

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 5. Long-Term Debt (Continued)

The lease agreement also provides for insurance coverage of the water line and provisions for maintenance and repair reserve. A restricted maintenance and repair account is to be established by the North Manchester Water Association for maintenance and repair of project improvements funded by the loan. Over a ten-year period, payments are to be made into this account to a sum total of \$131,050. The restricted account may be used as needed, however, it must be replenished to the required level. At the end of the term of the lease, the county will convey title of the assets to the North Manchester Water Association.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
December 1, 1999	\$ 36,137	\$ 29,992
June 1, 2000	35,695	30,434
December 1, 2000	35,246	30,883
June 1, 2001	34,790	31,339
December 1, 2001	34,328	31,801
June 1, 2002	33,859	32,270
December 1, 2002	33,383	32,746
June 1, 2003	32,900	33,229
December 1, 2003	32,410	33,719
June 1, 2004	31,913	34,217
Total after 6/1/04	<u>780,330</u>	<u>2,129,357</u>
Totals	<u>\$ 1,120,991</u>	<u>\$ 2,449,987</u>

Debt Service requirements due in the fiscal year ended June 30, 2000, are:

Principal	\$ 60,426
Interest	\$ 71,832

CLAY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1999  
(Continued)

Note 6. Lease-Purchase Agreements

The county entered into a 10-year lease-purchase for road paving with the Kentucky Association of Counties Leasing Trust. A schedule of required lease payments follows:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2000	\$ 39,456	\$ 96,653
2001	34,292	100,571
2002	28,918	104,648
2003	23,328	108,889
2004	17,509	113,303
2005	11,455	117,896
2006	5,156	122,675
2007	276	31,438
	<u>\$ 160,390</u>	<u>\$ 796,073</u>

Note 7. Notes Payable

The County entered into a twelve-month note for \$465,000 payable to DJK Enterprises, Inc. This note was payable at the rate of \$5,000 per month plus interest of 8.5%. A scheduled balloon payment of \$443,708 was due on June 11, 1999. The County did not pay this during 1998-99 fiscal year, but obtained financing from KACO in August 1999. The principal balance of this note is \$443,708 at year-end. Collateral for this note is real estate. Funding for this note was anticipated from a grant from the Economic Development Cabinet.

Note 8. Insurance

For the fiscal year ended June 30, 1999, Clay County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



CLAY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 3,229,746	\$ 1,210,399	\$ (2,019,347)
Road and Bridge Fund	1,498,574	1,485,991	(12,583)
Jail Fund	331,436	172,706	(158,730)
Local Government Economic Assistance Fund	63,382	224,359	160,977
Road Construction Account Fund	352	352	
Kentucky Mountain Housing Fund	500,000	415,050	(84,950)
Forest Fire Fund	4,000	3,528	(472)
Occupational Tax Fund	1,000,000	1,065,579	65,579
Totals	<u>\$ 6,627,490</u>	<u>\$ 4,577,964</u>	<u>\$ (2,049,526)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,627,490
Add: Budgeted Prior Year Surplus			561,728
Less: Other Financing Sources			<u>(51,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 7,138,218</u>

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SCHEDULE OF OPERATING REVENUE

CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<hr/>				
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 190,204	\$ 186,676	\$	\$
Advertising Costs	4,502	4,502		
Bank Franchise Tax	36,379	36,379		
Excess Fees - 1998	171	171		
Franchise Taxes	35,091	35,091		
County Clerk:				
Deed Transfer Tax	11,160	11,160		
Delinquent Taxes	9,901	9,901		
Excess Fees - 1998	66,111	66,111		
Tangible Personal Property Taxes:				
Other Counties	15,672	15,672		
County Clerk	75,107	75,107		
Occupational Employment Tax	1,061,073			
In Lieu of Taxes:				
Tennessee Valley Authority	1,635	1,635		
U.S. Treasurer	41,214	41,214		
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 1,548,220	\$ 483,619	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Federal Receipts - State Treasurer</u>				
Community Development Block				
Grant - Housing Project	\$ 415,050		\$	\$
Department of Justice Grant	5,000	5,000		
Abandoned Mine Land Reclamation Program	3,097	3,097		
Federal Disaster and Emergency Services/Emergency Management				
Agency Reimbursement	205,235	597	204,638	
National Forestry Receipts	44,822		44,822	
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	\$ 673,204	\$ 8,694	\$ 249,460	\$ 0

CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Assistance Fund	Road Construction Account Fund	Kentucky Mountain Housing Fund	Forest Fire Fund	Occupational Tax Fund

\$	\$	\$	\$ 3,528	\$
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1,061,073

\$ 0	\$ 0	\$ 0	\$ 3,528	\$ 1,061,073
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\$	\$	\$ 415,050	\$	\$
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\$ 0	\$ 0	\$ 415,050	\$ 0	\$ 0
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CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 97,584	\$	\$	\$ 97,584
Medical Allotments	6,705			6,705
Driving Under The Influence Fees	5,611			5,611
Housing State Prisoners	31,711			31,711
Court Costs, Jail Operation	17,351			17,351
County Road Aid	1,000,117	70,000	930,117	
Energy Recovery	1,135		1,135	
Truck License Distribution	161,449		161,449	
Election Expense Reimbursement	10,200	10,200		
Strip Mine Permits	45,992		45,992	
Courthouse Rental - Administrative				
Office of the Courts	67,966	67,966		
Disaster and Emergency				
Services - Coordinator Salary	7,889	7,889		
Refunds:				
Drivers Licenses	1,820		1,820	
State Reimbursement	72,902		72,902	
Severance Taxes:				
Coal	147,624			
Mineral	75,059			
Board of Assessments	150	150		
Grants:				
Community Development Block				
Grant	100,210	100,210		
Fire Department	40,000	40,000		
Totals	\$ 1,891,475	\$ 296,415	\$ 1,213,415	\$ 158,962

CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Assistance Fund	Road Construction Account Fund	Kentucky Mountain Housing Fund	Forest Fire Fund	Occupational Tax Fund
\$ 147,624 75,059				
\$ 222,683	\$ 0	\$ 0	\$ 0	\$ 0

CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 24,513	\$ 5,984	\$ 12,570	\$ 305
Circuit Court Clerk:				
Work Release	896			896
Jail:				
Telephone Commission Refunds	12,441			12,441
Insurance Reimbursement	16,507	16,507		
Vending Machines	14,378	14,378		
Licenses and Permits:				
Waste Hauling	700			
Commercial	1,535	1,535		
Charges for Services:				
Ambulance Service	348,365	348,365		
Miscellaneous Items	45,730	34,902	10,546	102
Totals	\$ 465,065	\$ 421,671	\$ 23,116	\$ 13,744
Total Operating Revenue	\$ 4,577,964	\$ 1,210,399	\$ 1,485,991	\$ 172,706

CLAY COUNTY  
SCHEDULE OF OPERATING REVENUE  
Fiscal Year Ended June 30, 1999  
(Continued)

Local Government Economic Assistance Fund	Road Construction Account Fund	Kentucky Mountain Housing Fund	Forest Fire Fund	Occupational Tax Fund
\$ 976	\$ 352	\$	\$	\$ 4,326
700				
				180
\$ 1,676	\$ 352	\$ 0	\$ 0	\$ 4,506
\$ 224,359	\$ 352	\$ 415,050	\$ 3,528	\$ 1,065,579

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



CLAY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final</u> <u>Budget</u>	<u>Budgeted</u> <u>Expenditures</u>	<u>Under</u> <u>(Over)</u> <u>Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 55,953	\$ 55,952	\$ 1
Secretaries	10,201	10,200	1
Advertising	2,000	1,072	928
Office Materials and Supplies	5,000	2,313	2,687
Area Development District Payment	5,411	5,411	
Bond	127	127	
Special Project	12,772	12,598	174
Postage	1,100	1,051	49
Reimbursement	1,530	1,481	49
Conference and Training	2,500	969	1,531
Telephone	3,100	2,994	106
Miscellaneous	500	225	275
Office of County Attorney:			
Salaries-			
County Attorney	21,784	21,783	1
Other Salaries	7,597	7,596	1
Telephone	775	660	115
Office of County Clerk:			
Salaries-			
County Clerk	5,985	5,985	
Bond	356	355	1
Fees	200		200
Office Materials and Supplies	250	210	40
Printing and Binding	2,281	2,280	1
Telephone	4,900	4,962	(62)
Tax Bill Preparation	6,000	3,503	2,497

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Sheriff:			
Salaries-			
Sheriff	\$ 5,841	\$ 5,796	\$ 45
Motor Vehicle	2,000	2,000	
Advertising Tax Bills	12,514	12,450	64
Bond	2,000	1,987	13
Hospital Services	1,000	606	394
Program Support	11,120	5,300	5,820
Materials and Supplies	1,087	1,086	1
Postage	4,622	4,622	
Telephone	3,600	2,922	678
Vehicle Parts	7,120	6,817	303
Miscellaneous	1,000	494	506
Fiscal Court:			
Magistrates Salaries	75,191	75,190	1
Office of Property Valuation Administrator:			
Statutory Contribution	16,229	16,229	
Office of Board of Assessment Appeals:			
Per Diem	400	300	100
Office of County Treasurer:			
Salaries-			
County Treasurer	32,858	28,747	4,111
Bond	400	345	55
Office Materials and Supplies	1,000	600	400
Office of County Finance Director:			
Salaries-			
County Finance Director	23,529	20,307	3,222

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Tax Administration:			
Salaries-			
Tax Director	\$ 31,610	\$ 31,610	\$
Other Salaries	8,430	8,430	
Bond	350	345	5
Legal Fees	1,000		1,000
Office Materials and Supplies	1,800	1,454	346
Reimbursement	1,000	231	769
Telephone	700	546	154
County Law Library:			
Law Librarian Salary	633	632	1
Elections:			
Per Diem-			
Election Commissioners	4,800	2,100	2,700
Election Officers	11,000	10,010	990
Advertising	7,060	4,369	2,691
Office Materials and Supplies	17,552	8,718	8,834
Utilities	200	161	39
Economic Development:			
Contribution	101,211	101,210	1
Courthouse:			
Janitors Salaries	34,513	31,389	3,124
Other County Properties:			
Utilities	6,000	4,063	1,937

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u>			
County Police:			
Salaries-			
Transporting Juveniles	\$ 5,500	\$ 3,911	\$ 1,589
Equipment Maintenance	1,050	1,028	22
County Fire Department:			
Building Maintenance	40,000	40,000	
Equipment	1,000	868	132
Disaster and Emergency Services:			
Salaries-			
Director	683	683	
Dispatch Service	39,000	39,000	
Motor Vehicle	1,500	1,500	
Ambulance Service:			
Ambulances	50,752	50,752	
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	6,850	6,322	528
Water and Sewage:			
Water	1,900,000		1,900,000
Little Goose Creek - Water Study			
Contribution	3,100	3,097	3
Solid Waste Collection:			
Contracted Services	39,500	39,500	

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Social Services</u>			
Culture Programs:			
Survey	\$ 2,500	\$ 2,500	\$
Other Social Service Programs:			
Education Program	235,000		235,000
<u>Recreation and Culture</u>			
Parks:			
Maintenance	665	640	25
Utilities	200		200
Other Recreation Programs:			
Contribution	3,600	2,715	885
Cooperative Extension Service:			
Special Project	5,000	4,998	2
<u>Administration</u>			
Contingent Appropriations:			
Reserve for Transfers	57,959		57,959
General:			
Audit	24,216	24,216	
Bank Charges	200	12	188
Liability Insurance	47,243	47,243	
C. Bryd Settlement	1,024	1,024	
Membership Dues	5,650	5,640	10
Utilities	123	123	
Vending Machines	10,000	9,743	257

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits:			
County Contributions-			
Social Security	\$ 49,500	\$ 44,166	\$ 5,334
Retirement	56,638	53,338	3,300
Delta Dental Insurance	5,000	4,265	735
Health Insurance	73,000	54,676	18,324
Medicare	5,405	4,224	1,181
Worker's Compensation	30,000	29,395	605
Unemployment Insurance	10,000	7,799	2,201
Total General Fund	<u>\$ 3,291,550</u>	<u>\$ 1,016,171</u>	<u>\$ 2,275,379</u>
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Fiscal Court:			
Magistrates Expense Allowance	\$ 18,360	\$ 18,000	\$ 360
<u>Roads</u>			
Office of Road Supervisor:			
Road Supervisor Salary	31,625	31,182	443
Office Materials and Supplies	1,000	981	19
Telephone	950	877	73
Utilities	9,000	6,848	2,152
Road Maintenance:			
Salaries-			
Road Labor	360,393	346,337	14,056
Contractor-			
Bridge Construction	72,902	72,902	



CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Roads</u> (Continued)			
Road Maintenance: (Continued)			
Asphalt	\$ 350,000	\$ 305,527	\$ 44,473
Concrete	15,000	8,119	6,881
Crushed Stone and Gravel	233,464	232,840	624
Communication Equipment	2,600	2,395	205
Lubricants	50,000	38,631	11,369
Motor Vehicle	23,012	23,012	
Materials	165,000	140,923	24,077
Pipe	50,000	43,369	6,631
Tires and Tubes	9,000	8,786	214
Uniforms	4,000	3,437	563
Wood Products	4,000	2,280	1,720
Other Materials and Supplies	1,000	980	20
<u>Forest Fire</u>			
Forest Fire:			
School Share	33,000	22,411	10,589
<u>Administration</u>			
General Services:			
Bank Charges	100	12	88
Insurance	20,000	20,000	
Contingent Appropriations:			
Reserve for Budget Transfers	76,669		76,669
Fringe Benefits:			
County Contributions-			
Retirement	32,026	32,026	
Social Security	23,366	23,197	169
Health Insurance	46,000	45,971	29
Medicare	5,459	5,425	34
Unemployment Insurance	6,000		6,000
Total Road and Bridge Fund	\$ 1,643,926	\$ 1,436,468	\$ 207,458

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 51,131	\$ 51,130	\$ 1
Jail Personnel	152,040	144,231	7,809
Food Service Personnel	46,717	45,053	1,664
Operations-			
Jail Linens	1,000	670	330
Office Supplies	2,300	2,231	69
Pest Control	522	522	
Other Materials and Supplies	530	529	1
Routine Medical	20,700	20,680	20
Staff Uniforms	1,086	1,086	
Staff Training	900	849	51
Telephone	2,513	2,475	38
Miscellaneous Operating Expense	524	523	1
<u>Administration</u>			
General Services:			
Bank Charges	100	15	85
Membership Services	500	450	50
Contingent Appropriations:			
Reserve for Budget Transfers	1,616		1,616
Fringe Benefits:			
County Contributions-			
Retirement	19,727	19,550	177
Social Security	14,580	14,114	466
Health Insurance	31,540	31,477	63
Medicare	3,410	3,301	109
Total Jail Fund	\$ 351,436	\$ 338,886	\$ 12,550

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
<u>General Government</u>			
Office of County Coroner:			
County Coroner Salary	\$ 6,281	\$ 6,281	\$
Autopsies and Attendant Service	3,137	3,137	
Materials and Supplies	1,000		1,000
Office of Public Defender:			
Contribution	2,718	2,718	
Office Of Solid Waste Coordinator:			
Salary-			
Solid Waste Coordinator	15,806	15,805	1
Office Supplies	1,000	271	729
Other Materials and Supplies	1,000	192	808
Motor Vehicle	4,000	3,750	250
<u>Roads</u>			
Road Maintenance:			
General Construction Materials	45,495	43,635	1,860
<u>Administration</u>			
General Services:			
Bank Charges	100		100
Contingent Appropriations:			
Reserve for Budget Transfers	22,871		22,871
Fringe Benefits:			
County Contributions-			
Retirement	1,820	1,819	1
Social Security	1,370	1,301	69
Medicare	310	304	6
Total Local Government Economic Assistance Fund	<u>\$ 106,908</u>	<u>\$ 79,213</u>	<u>\$ 27,695</u>

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<b>ROAD CONSTRUCTION ACCOUNT FUND</b>			
<u>Roads</u>			
Road Maintenance:			
Asphalt	\$ 49,214	\$ 49,204	\$ 10
<u>Administration</u>			
General Services:			
Bank Charges		10	(10)
Total Road Construction Account Fund	<u>\$ 49,214</u>	<u>\$ 49,214</u>	<u>\$ 0</u>
<b>KENTUCKY MOUNTAIN HOUSING FUND</b>			
<u>Economic Development</u>			
Kentucky Mountain Housing:			
Special Project	<u>\$ 500,350</u>	<u>\$ 415,400</u>	<u>\$ 84,950</u>
<b>FOREST FIRE FUND</b>			
<u>Forestry Protection</u>			
Forest Fire:			
Forestry Protection	<u>\$ 5,868</u>	<u>\$ 3,596</u>	<u>\$ 2,272</u>
<b>OCCUPATIONAL TAX FUND</b>			
<u>General Government</u>			
Fiscal Court:			
Court Reporter Salary	\$ 2,500	\$ 2,315	\$ 185

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>OCCUPATIONAL TAX FUND</u>			
(Continued)			
<u>General Government</u> (Continued)			
Chamber of Commerce:			
Reimbursement	\$ 10,000	\$ 10,000	\$
Courthouse:			
Building Maintenance Supplies	24,658	24,657	1
Custodial Supplies	6,126	6,126	
Utilities	25,000	21,465	3,535
Other County Properties:			
Building and Construction	55,000	50,000	5,000
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Contracts with Other Counties	5,000	669	4,331
Contracts with Other Counties- Juvenile	17,000	15,564	1,436
Contracts with Private Agencies	5,000	2,004	2,996
Building Maintenance	10,000	7,407	2,593
Equipment Maintenance	10,302	10,301	1
Cleaning Supplies	8,288	8,287	1
Food	60,000	57,167	2,833
Motor Vehicle	1,500	1,500	
Other Materials and Supplies	1,025	1,024	1
Utilities	24,000	23,526	474
County Fire Department:			
Salary:			
Emergency Manager	22,379	22,379	
Reimbursement	25,333	22,833	2,500
Miscellaneous	200	60	140
Ambulance Service:			
Salaries	223,108	215,534	7,574
Repairs and Maintenance	3,666	3,213	453

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>OCCUPATIONAL TAX FUND</u>			
(Continued)			
<u>Protection to Persons and Property</u>			
(Continued)			
Ambulance Service: (Continued)			
Communication Equipment	\$ 8,000	\$ 7,902	\$ 98
Custodial Supplies	6,800	5,896	904
Motor Vehicle Parts	42,820	42,817	3
Office Supplies	5,500	3,676	1,824
Petroleum Products	11,580	11,568	12
Tires and Tubes	3,000	1,365	1,635
Uniforms	500		500
Other Supplies and Materials	1,000	36	964
Medical Supplies	14,590	14,587	3
Postal Charges	1,000	991	9
Reimbursement	600	503	97
Refunds	200	75	125
Telephone	2,500	2,408	92
Training	1,500	1,485	15
Utilities	5,575	5,573	2
Office of Dog Warden:			
Kennel Supplies and Equipment	3,000	252	2,748
Animal Food and Supplies	1,200	151	1,049
Buildings Maintenance Supplies	500	274	226
Other Supplies and Materials	1,000	380	620
Utilities	2,000	656	1,344
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	4,100	4,060	40
<u>Roads</u>			
Road Maintenance:			
Asphalt	125,359	64,403	60,956
Lease Payment - Asphalt	129,000	123,861	5,139

CLAY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 1999  
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>OCCUPATIONAL TAX FUND</u>			
(Continued)			
<u>Roads (Continued)</u>			
Road Maintenance: (Continued)			
Gravel	\$ 95,000	\$ 42,239	\$ 52,761
Machinery and Equipment	35,000	35,000	
Materials	60,112	59,398	714
Tile	12,657	12,657	
<u>Debt Service</u>			
Borrowed Money:			
Interest	1,422	1,421	1
<u>Administration</u>			
General Services:			
Bank Charges	100	12	88
Liability Insurance	15,432	15,431	1
Contingent Appropriations:			
Reserve for Budget Transfers	(11,620)		(11,620)
Fringe Benefits:			
County Contributions-			
Retirement	20,290	18,990	1,300
Social Security	15,531	14,004	1,527
Health Insurance	30,000	27,626	2,374
Medicare	3,633	3,276	357
Total Operating Fund	\$ 1,188,966	\$ 1,029,004	\$ 159,962
Other Financing Resources:			
Borrowed Money-			
Principal	51,000	51,000	
Total Occupational Tax Fund	\$ 1,239,966	\$ 1,080,004	\$ 159,962

CLAY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES  
Fiscal Year Ended June 30, 1999  
(Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
Total Operating Budget - All Funds	\$ 7,138,218	\$ 4,367,952	\$ 2,770,266
Other Financing Uses:			
Borrowed Money-			
Principal	51,000	51,000	
TOTAL BUDGET - ALL FUNDS	<u>\$ 7,189,218</u>	<u>\$ 4,418,952</u>	<u>\$ 2,770,266</u>



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable James D. Garrison, Clay County Judge/Executive  
Members of the Clay County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Clay County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated February 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Clay County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying Schedule of Findings and Questioned Costs.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clay County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable James D. Garrison, Clay County Judge/Executive  
Members of the Clay County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 4, 2000

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable James D. Garrison, Clay County Judge/Executive  
Members of the Clay County Fiscal Court

### Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

#### Compliance

We have audited the compliance of Clay County Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 1999. Clay County's major federal program is identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Clay County's management. Our responsibility is to express an opinion on Clay County's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clay County's compliance with those requirements.

In our opinion, Clay County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

#### Internal Control Over Compliance

The management of Clay County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clay County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable James D. Garrison, Clay County Judge/Executive  
Members of the Clay County Fiscal Court  
Report On Compliance With Requirements Applicable To Each Major Program  
And Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
February 4, 2000



SCHEDULE OF FINDINGS AND QUESTIONED COSTS



CLAY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Clay County.
2. There were no reportable conditions relating to the audit of the financial statements that are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Clay County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award programs for Clay County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Clay County reported in Part C of this schedule.
7. The programs tested as a major program was: (CDBG – CFDA #14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Clay County was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 1998, \$628,400 of the county's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Management's Response:*

*County Judge and County Treasurer - Fiscal Court will get something in writing to verify that as balance increases, so will the pledge of security.*

PRIOR YEAR FINDINGS

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



CLAY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 1999

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department of Local Government:		
Community Development Block Grant - Housing Project (CFDA #14.228)	B-96-DC-21-0001(38)	\$ 415,400
<u>U.S. Department of the Interior</u>		
Passed-Through State Department of Natural Resources:		
Abandoned Mine Land Reclamation Program- Little Goose Creek Groundwater Contamination Study (CFDA #15.252)	Not Available	3,097
<u>U.S. Department of Justice</u>		
Direct Programs:		
Local Law Enforcement Block Grant (CFDA #16.592)	Not Available	5,000
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.534)	Not Available	597
Federal Emergency Management Agency (CFDA #83.544)	FEMA-1216-DR-KY	<u>136,862</u>
Total Cash Expenditures of Federal Awards		<u>\$ 560,956</u>

CLAY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 1999  
(Continued)

Noncash Programs

U.S. Department of Agriculture

Passed-Through State Department  
of Agriculture:

Jail Commodity Program  
(CFDA #10.569)

\$ 2,072



CLAY COUNTY  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

June 30, 1999

Note 1 - Basis of Presentation

This schedule is presented on a cash basis except for the noncash programs, which represents commodities received and distributed by the county. The dollar value of these commodities has been provided by the Department of Agriculture.

Note 2 - As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for U.S. Department of Housing and Urban Development consist of grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Kentucky Mountain Housing Development Corporation, Inc.	14.228	\$ 415,400

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**CERTIFICATION OF COMPLIANCE – LOCAL  
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**CLAY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1999**

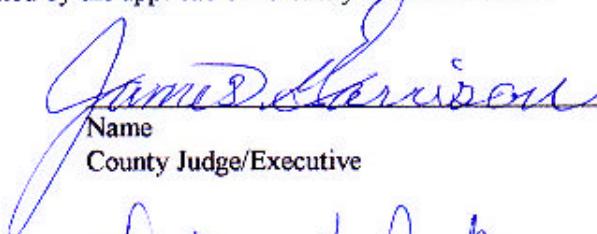
Appendix A




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
CLAY COUNTY FISCAL COURT

June 30, 1999

The Clay County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Name  
County Judge/Executive

  
Name  
County Treasurer